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January 23, 2020

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Residential Real Estate Appraisals; RIN 3133-AE98

Dear Mr. Poliquin:

On behalf of America's credit unions, I am writing in support of the National Credit Union Administration's (NCUA) proposed rulemaking on Residential Real Estate Appraisals. The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

The NCUA has proposed to amend the agency's regulation requiring appraisals for certain real estate-related transactions. The proposed rule would increase the threshold level below which appraisals would not be required for residential real estate-related transactions (residential appraisal threshold) from \$250,000 to \$400,000. This proposal is consistent with, though not identical to, the final rule adopted last year by the federal banking regulators that increased the residential appraisal threshold to \$400,000.

In October 2019, CUNA sent a letter to the NCUA requesting the agency pursue a rulemaking to increase the residential appraisal threshold. We appreciate the agency's response in issuing this proposal that would increase the residential appraisal threshold to \$400,000.

Proposed Increase to Residential Appraisal Threshold

Under the proposal, the residential appraisal threshold would be increased from \$250,000 to \$400,000. However, the proposal would continue to require credit unions to obtain written estimates of market value for transactions exempted from the appraisal requirement by the increased threshold.

Regulatory Burden and Cost Reduction

According to the NCUA, it is proposing to increase the residential appraisal threshold in an effort to reduce regulatory burden, while maintaining federal public policy interests in

real estate-related transactions and the safety and soundness of credit unions. The NCUA estimates that setting the appraisal threshold at \$400,000 would continue to exempt the majority of residential real estate transactions from the NCUA's residential real estate appraisal requirement. We agree that the increase in the number of loans that would no longer require appraisals under the proposal would provide meaningful burden reduction for credit unions.

Obtaining an appraisal for a real estate transaction adds to the cost of the transaction, which is often passed on to the borrower. In addition, the need for an appraisal can delay the closing of a transaction when an appraiser cannot complete the appraisal in a timely manner. We believe increasing the residential appraisal threshold will reduce regulatory burden for credit unions, resulting in both transaction cost and time savings for credit unions and their members.

Consumer Protection Considerations

We agree with the NCUA that the valuation information provided by appraisals and written estimates of market value assists credit unions in making informed lending decisions and mitigating risk. Further, we too recognize the role that appraisers play in helping to ensure a safe and sound real estate lending process.

The NCUA has long required written estimates of market value in lieu of appraisals for many transactions, including certain transactions exempted by an appraisal threshold. A written estimate of market value must be consistent with safe and sound business practices and should contain sufficient information and analysis to support the decision to engage in the transaction, although it may be less structured than an appraisal.

The NCUA noted there is some concern that the individuals performing written estimates of market value are not required to have professional credentials for valuing real estate. However, the NCUA's regulation on this requires that a written estimate of market value be performed by an individual who is independent of the loan production and collection processes, has no direct, indirect, or prospective interest, financial or otherwise, in the property or the transaction, and is qualified and experienced to perform such estimates of value for the type and amount of credit being considered.

We agree with the NCUA that a written estimate of market value prepared by qualified, competent, and independent individuals who use appropriate supporting information provides credit unions an alternative estimate of market value and should provide sufficient information to enable credit unions to make a prudent decision regarding the transaction.

Thus, while appraisals can provide protection to consumers by facilitating the informed use of credit and helping to ensure that the estimated value of the property supports the loan amount, written estimates of market value have consistently provided these benefits for credit unions and borrowers for transactions below the current \$250,000 threshold.

Lastly, the CFPB concurred that the other banking agencies' residential appraisal final rule's threshold of \$400,000 provides reasonable protection for consumers who purchase 1–4 unit single-family residences.¹

Parity with Other Financial Institutions

As referenced in this letter, last year the federal banking agencies adopted a final rule² to amend their appraisal regulation to increase the threshold *at or* below which appraisals are not required for residential real estate transactions from \$250,000 to \$400,000 for banks. The increased residential appraisal threshold for banks has been in effect since last October.

Increasing the residential appraisal threshold for credit unions is necessary to eliminate the competitive advantage banks have held over the past several months. As discussed above, increasing the residential appraisal threshold from \$250,000 to \$400,000 will save credit union members substantial time and expense associated with obtaining a mortgage. Therefore, failure to maintain parity could cause credit union members to pursue mortgage loans at financial institutions where appraisals are not required for residential real estate transactions below \$400,000.

Further, we urge the agency to adopt language identical to that adopted by the banking regulators. As proposed, the residential appraisal threshold would increase to “below” \$400,000. Instead, we ask the NCUA to adopt the same language as the banking regulators, which states the residential appraisal threshold is “at or below” \$400,000. While minor, this is an important distinction that if adopted as proposed could continue to disadvantage credit unions.

Conclusion

On behalf of America's credit unions and their 115 million members, thank you for considering our comments in support of the agency's proposed rulemaking to increase the residential appraisal threshold. If you have questions about our comments, please do not hesitate to contact me at (202) 508-6743.

Sincerely,



Luke Martone
Senior Director of Advocacy & Counsel

¹ 84 Fed. Reg. 65,707 - 65,708 (Nov. 29, 2019).

² 84 Fed. Reg. 53,579 (Oct. 8, 2019).